

**REPORT OF THE AUDIT OF THE
MASON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**MIKE HARMON
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EXECUTIVE SUMMARY
AUDIT OF THE
MASON COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Mason County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Mason County, Kentucky. In accordance with OMB Circular A-133, we have issued an unmodified opinion on the compliance requirements that are applicable to Mason County's major federal program CFDA #14.228 - Community Development Block Grants/State's Program.

Financial Condition:

The Mason County Fiscal Court had total receipts of \$12,076,345 and disbursements of \$11,481,129 in fiscal year 2014. This resulted in a total ending fund balance of \$10,271,367, which is an increase of \$1,165,216 from the prior year.

Deposits:

The fiscal court's deposits as of August 31, 2013, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$37,847

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Matthew G. Bevin, Governor
William M. Landrum III, Secretary
Finance and Administration Cabinet
Honorable James L. Gallenstein, Former Mason County Judge/Executive
Honorable Joseph P. Pfeffer, Mason County Judge/Executive
Members of the Mason County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Mason County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Audit Guide for Fiscal Court Audits* issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1, the financial statement is prepared by Mason County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Mason County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Mason County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Mason County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules, capital asset schedule, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules, capital asset schedule, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statement.

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 08, 2016 on our consideration of Mason County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

March 08, 2016

MASON COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

James L. Gallenstein	Former County Judge/Executive
Patrick McKay IV	Commissioner
Annette Walters	Commissioner
Phil Day	Commissioner

Other Elected Officials:

John Estill	County Attorney
Gerald Curtis	Jailer
Stephanie Schumacher	County Clerk
Kirk Tolle	Circuit Court Clerk
Patrick Boggs	Sheriff
Troy Cracraft	Property Valuation Administrator
David Lawrence	Coroner

Appointed Personnel:

Kim Muse	County Treasurer
Megan Davenport	Finance Officer

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 3,431,070	\$	\$
In Lieu Tax Payments	21,395		
Excess Fees	155,926		
Licenses and Permits	41,468		
Intergovernmental	459,947	1,376,356	1,398,150
Charges for Services	1,626	10,570	82,561
Miscellaneous	316,181	58,998	114,602
Interest	1,552	265	35
Total Receipts	<u>4,429,165</u>	<u>1,446,189</u>	<u>1,595,348</u>
DISBURSEMENTS			
General Government	1,302,846		
Protection to Persons and Property	205,265		1,494,322
General Health and Sanitation	61,255		
Social Services	2,525		
Recreation and Culture	107,698		
Roads		1,574,719	
Airports			
Debt Service		26,565	135,897
Capital Projects	450		
Administration	1,139,397	256,042	597,355
Total Disbursements	<u>2,819,436</u>	<u>1,857,326</u>	<u>2,227,574</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>1,609,729</u>	<u>(411,137)</u>	<u>(632,226)</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds			
Transfers From Other Funds		300,000	650,000
Transfers To Other Funds	(1,386,019)		
Total Other Adjustments to Cash (Uses)	<u>(1,386,019)</u>	<u>300,000</u>	<u>650,000</u>
Net Change in Fund Balance	223,710	(111,137)	17,774
Fund Balance - Beginning	3,713,281	281,415	122,120
Fund Balance - Ending	<u>\$ 3,936,991</u>	<u>\$ 170,278</u>	<u>\$ 139,894</u>
Composition of Fund Balance			
Bank Balance	\$ 3,056,434	\$ 170,281	\$ 169,941
Deposits In Transit			
Less: Outstanding Checks	(69,443)	(3)	(30,047)
Certificates of Deposit	950,000		
Fund Balance - Ending	<u>\$ 3,936,991</u>	<u>\$ 170,278</u>	<u>\$ 139,894</u>

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

Budgeted Funds					
Local Government Economic Assistance Fund	State Grants Fund	Federal Fund	Solid Waste Fund	Landfill Fund	Garbage Collections Fund
\$	\$	\$	\$	\$ 5,359	\$
			3,984		
320,666	5,079	488,000		107,134	
				1,860,920	386,575
30,927			127,312	728,367	
28			7	6,498	62
<u>351,621</u>	<u>5,079</u>	<u>488,000</u>	<u>131,303</u>	<u>2,708,278</u>	<u>386,637</u>
29,768					
39,863		522,110			
37,540			191,467	1,361,879	276,920
31,033					
153,189					
102,546					
9,500					
				480,045	
			37,136	18,965	
10,738			76,166	352,086	81,294
<u>414,177</u>		<u>522,110</u>	<u>304,769</u>	<u>2,212,975</u>	<u>358,214</u>
(62,556)	5,079	(34,110)	(173,466)	495,303	28,423
				350,000	
175,000		28,093	200,000		
(24,906)					
<u>150,094</u>		<u>28,093</u>	<u>200,000</u>	<u>350,000</u>	
87,538	5,079	(6,017)	26,534	845,303	28,423
36,705	12,794	17,809	23,594	4,510,990	297,289
<u>\$ 124,243</u>	<u>\$ 17,873</u>	<u>\$ 11,792</u>	<u>\$ 50,128</u>	<u>\$ 5,356,293</u>	<u>\$ 325,712</u>
\$ 124,543	\$ 17,873	\$ 11,792	\$ 50,308	\$ 5,356,293	\$ 325,712
(300)			(180)		
<u>\$ 124,243</u>	<u>\$ 17,873</u>	<u>\$ 11,792</u>	<u>\$ 50,128</u>	<u>\$ 5,356,293</u>	<u>\$ 325,712</u>

The accompanying notes are an integral part of the financial statement.

MASON COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

	Unbudgeted Funds		
	Public Properties Corporation Fund	Jail Commissary Fund	Total Funds
RECEIPTS			
Taxes	\$	\$	\$ 3,436,429
In Lieu Tax Payments			21,395
Excess Fees			155,926
Licenses and Permits			45,452
Intergovernmental	345,321	5,319	4,505,972
Charges for Services			2,342,252
Miscellaneous		183,948	1,560,335
Interest	15	122	8,584
Total Receipts	<u>345,336</u>	<u>189,389</u>	<u>12,076,345</u>
DISBURSEMENTS			
General Government			1,332,614
Protection to Persons and Property			2,261,560
General Health and Sanitation			1,929,061
Social Services			33,558
Recreation and Culture	220,000	89,099	569,986
Roads			1,677,265
Airports			9,500
Debt Service	400,821		1,043,328
Capital Projects			56,551
Administration		54,628	2,567,706
Total Disbursements	<u>620,821</u>	<u>143,727</u>	<u>11,481,129</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(275,485)</u>	<u>45,662</u>	<u>595,216</u>
Other Adjustments to Cash (Uses)			
Financing Obligation Proceeds	220,000		570,000
Transfers From Other Funds	57,832		1,410,925
Transfers To Other Funds			(1,410,925)
Total Other Adjustments to Cash (Uses)	<u>277,832</u>	<u></u>	<u>570,000</u>
Net Change in Fund Balance	2,347	45,662	1,165,216
Fund Balance - Beginning	31,882	58,272	9,106,151
Fund Balance - Ending	<u>\$ 34,229</u>	<u>\$ 103,934</u>	<u>\$ 10,271,367</u>
Composition of Fund Balance			
Bank Balance	\$ 34,229	\$ 106,431	\$ 9,423,837
Deposits In Transit		18	18
Less Outstanding Checks		(2,515)	(102,488)
Certificates of Deposit			950,000
Ending Fund Balance	<u>\$ 34,229</u>	<u>\$ 103,934</u>	<u>\$ 10,271,367</u>

The accompanying notes are an integral part of the financial statement.

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TO THE FINANCIAL STATEMENT**

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MASON COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Mason County includes all budgeted and unbudgeted funds under the control of the Mason County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary sources of receipts for this fund are state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Grants Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state.

Federal Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are federal grants.

Solid Waste Fund - The primary purpose of this fund is to account for activities related to solid waste management at the recycling center. The recycling center sells recyclable materials such as cardboard and aluminum to various vendors.

Landfill Fund - The primary purpose of this fund is to account for the activities of the Mason County - Maysville Landfill.

Garbage Collections Fund - The primary purpose of this fund is to account for the activities of the Mason County Garbage Collections service.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Public Properties Corporation Fund - This fund is used to account for the activity of the Mason County Public Properties Corporation (MCPPC). Receipts and disbursements of this fund are generally restricted for specific purposes, such as issuance of debt for construction projects. The Department for Local Government does not require the fiscal court to budget for or report on this fund.

Jail Commissary Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund and the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds.

E. Mason County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Mason County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Mason County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

H. Related Organizations and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Mason County Fiscal Court: Western Mason Water District and Western Lewis-Rectorville Water District.

A jointly governed organization is an entity that results from a multi-governmental arrangement that is governed by representatives from each participating government. The entity provides services to the citizens of each participating government, but there is no ongoing financial interest or responsibility by the participating government. The jointly governed organization can act independently of each of the participating governments. Based upon these criteria, the following are considered jointly governed organizations of the Mason County Fiscal Court: Mason County-City of Maysville Tourism Commission, Mason County-City of Maysville Industrial Development, Mason County-City of Maysville Parks and Recreation, Mason County-City of Maysville Ambulance service, Mason County-City of Maysville Planning and Zoning Commission, Mason County-City of Maysville E-911, and the Fleming-Mason Airport.

Note 2. Deposits

The fiscal court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2013, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$37,847

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 3. Transfers

The table below shows the interfund operating transfers for fiscal year 2014.

	General Fund	LGEA Fund	Total Transfers In
Road Fund	\$ 300,000	\$	\$ 300,000
Jail Fund	650,000		650,000
LGEA Fund	175,000		175,000
Federal Fund	28,093		28,093
Solid Waste Fund	200,000		200,000
Public Properties Corporation Fund	32,926	24,906	57,832
Total Transfers Out	<u>\$ 1,386,019</u>	<u>\$ 24,906</u>	<u>\$ 1,410,925</u>

Reason for transfers:

To move resources from the General and LGEA Funds, for budgetary purposes, to the funds that will expend them.

Note 4. Agency Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following trust funds:

Employees' Christmas Club Account - This fund accounts for funds voluntarily withheld from employees' wages and deposited in the bank until funds are annually paid to the employees. The balance in the Employees' Christmas Club Account as of June 30, 2014 was \$13,001.

FSA/HRA Account - This fund accounts for employee and employer contributions to reimburse employees for health care expenses. The County has contracted with Febco, Inc., a third-party administrator, to administer the plan. The plan provides a debit card to each eligible employee providing \$1,700 each year for a single plan and \$2,700 each year for a family plan to pay for qualified medical expenses. Employees may also contribute additional pre-tax funds through payroll deduction. The balance as of June 30, 2014 was \$9,868.

Note 5. Short-term Debt

A. Loan Agreement - Landfill

On August 17, 2013, Mason County Fiscal Court entered into a \$350,000 loan agreement with Bank of Maysville to purchase a landfill compactor. The loan interest rate was 2.75% with three interest payments due during the year and a final principal and interest payment due on June 30, 2014. The loan was paid in full as of June 30, 2014.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Short-term Debt (Continued)

B. Loan Agreement – Historical Property

On October 7, 2013, Mason County Public Properties Corporation entered into a \$220,000 loan agreement with Security Bank and Trust Company to purchase a historical property. The loan interest rate was 1.55%. The agreement required principal and interest payments due on October 7, 2014. The total principal balance as of June 30, 2014 was \$220,000.

C. Changes In Short-term Debt

Short-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Financing Obligations	\$ 0	\$ 570,000	\$ 350,000	\$ 220,000	\$ 220,000
Total Short-term Debt	<u>\$ 0</u>	<u>\$ 570,000</u>	<u>\$ 350,000</u>	<u>\$ 220,000</u>	<u>\$ 220,000</u>

Note 6. Long-term Debt

A. First Mortgage Refunding Revenue Bonds Series 2007

In March 2007, Mason County Public Properties Corporation issued \$4,910,000 first mortgage revenue refunding bonds for the purpose of paying the outstanding principal and interest of the Mason County Public Properties Corporation first mortgage revenue bonds, Series 1999. Principal payments are due each year on March 1 and interest is payable each year on September 1 and March 1. The total principal balance was \$3,560,000 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 235,000	\$ 137,060
2016	245,000	128,012
2017	255,000	118,580
2018	265,000	108,763
2019	275,000	98,560
2020 - 2024	1,565,000	323,785
2025 - 2026	<u>720,000</u>	<u>41,772</u>
Totals	<u>\$ 3,560,000</u>	<u>\$ 956,532</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

B. Financing Obligation – Elderly Housing Phase I (Buffalo Trace Area Development District)

In December 1998, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for rehabilitation of housing for the elderly. The note was for \$42,000 with an interest rate of 2.00% per year. The agreement requires annual payments of principal and interest on September 30 of each year. The total principal balance was \$15,236 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 2,281	\$ 288
2016	2,327	242
2017	2,373	196
2018	2,420	148
2019	2,469	100
2020	3,366	50
Totals	<u>\$ 15,236</u>	<u>\$ 1,024</u>

C. Financing Obligation – Elderly Housing Phase I (Kentucky Housing Corporation)

In March 1999, Mason County Public Properties Corporation entered into a note with Kentucky Housing Corporation, for rehabilitation of housing for the elderly. The note was for \$135,366 with an interest rate of 2.00% per year. The agreement requires annual payments of principal and interest on July 1 of each year. The total principal balance was \$39,020 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 0	\$ 0
2016	7,498	780
2017	7,648	630
2018	7,801	477
2019	7,957	321
2020	8,116	162
Totals	<u>\$ 39,020</u>	<u>\$ 2,370</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

D. Financing Obligation – Elderly Housing Phase II (Kentucky Housing Corporation)

On March 1, 2006, Mason County Fiscal Court entered into a lease agreement with Kentucky Housing Corporation for rehabilitation of housing for the elderly. The lease was for \$136,000 with an interest rate of 3.50% per year. The agreement requires annual payments of principal and interest on August 1 of each year. The total principal balance was \$112,582 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 3,452	\$ 3,876
2016	3,575	3,754
2017	3,702	3,627
2018	3,834	3,495
2019	3,970	3,358
2020 - 2024	22,071	14,571
2025 - 2029	26,285	10,357
2030 - 2034	31,304	5,338
2035 - 2036	14,389	521
Totals	<u>\$ 112,582</u>	<u>\$ 48,897</u>

E. Financing Obligation – Elderly Housing Phase II (Buffalo Trace Area Development District)

On August 15, 2006, Mason County Public Properties Corporation entered into a note with Buffalo Trace Area Development District, for Phase II housing for the elderly. The note was for \$20,000 with an interest rate of 3.00% per year. The agreement requires annual payments of principal and interest on August 15 of each year. The total principal balance was \$15,648 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 533	\$ 488
2016	549	472
2017	566	455
2018	583	438
2019	600	421
2020 - 2024	3,282	1,823
2025 - 2029	3,805	1,300
2030 - 2034	4,411	694
2035 - 2036	1,319	87
Totals	<u>\$ 15,648</u>	<u>\$ 6,178</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

F. Financing Obligation – Landfill Construction Phases IV and V

On August 18, 2009, Mason County Fiscal Court entered into a lease agreement with Fifth Third Bank for Landfill Phase IV and Phase V construction. The lease is for \$1,300,000 and requires a semi-annual payment of \$60,329, which includes 4.5% interest through and including July 15, 2013, and thereafter for each succeeding five-year period at a rate equal to the five-year interest rate for US Treasury Obligations, as published by the lessor's treasury department, plus 227 basis points multiplied by .65, as calculated on July 15, 2013 and July 15, 2018. The principal balance was \$904,038 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 79,511	\$ 41,147
2016	83,180	37,478
2017	86,921	33,916
2018	91,029	29,628
2019	95,229	25,428
2020-2024	468,168	57,081
Totals	<u>\$ 904,038</u>	<u>\$ 224,678</u>

G. Financing Obligation – International Dump Truck

On November 10, 2011, Mason County Fiscal Court entered into a lease agreement with Peoples Bank of Kentucky to purchase a 2012 International Dump Truck. The lease is for \$96,542 at an interest rate of 3.95% per year. The agreement requires annual payments of principal and interest on November 10 of each year. The total principal balance was \$50,141 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 24,585	\$ 1,981
2016	25,556	1,009
Totals	<u>\$ 50,141</u>	<u>\$ 2,990</u>

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 6. Long-term Debt (Continued)

H. Financing Obligation – Detention Center Equipment

On February 3, 2013, Mason County Fiscal Court entered into a lease agreement with Security Bank and Trust Company to purchase Detention Center Equipment. The lease is for \$262,750 at an interest rate of 3.0%. The agreement requires annual payments of principal and interest on February 5 of each year. The total principal balance was \$100,212 as of June 30, 2014. Future principal and interest requirements are:

Fiscal Year Ended June 30	Principal	Interest
2015	\$ 100,212	\$ 1,472
Totals	\$ 100,212	\$ 1,472

I. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Refunding Bonds	\$ 3,790,000	\$	\$ 230,000	\$ 3,560,000	\$ 235,000
Financing Obligations	1,495,054		258,177	1,236,877	210,574
Total Long-term Debt	\$ 5,285,054	\$ 0	\$ 488,177	\$ 4,796,877	\$ 445,574

Note 7. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute five percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute six percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute eight percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute nine percent of their salary to be allocated as follows: eight percent will go to the member's account and one percent will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$695,154, FY 2013 was \$731,823, and FY 2014 was \$699,942.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post-retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn 15 dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 8. Deferred Compensation

The Mason County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 9. Insurance

For the fiscal year ended June 30, 2014, Mason County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 10. Landfill Closure and Post-Closure Care

401 KAR 48:310 Sections 2 and 3 require the owner or operator of a landfill to have a detailed written estimate, in current dollars, of the cost of hiring a third party to close the solid waste disposal site and to conduct each phase of closure care monitoring and maintenance in accordance with the closure plan.

Through an inter-local agreement with the City of Maysville, the Mason County Fiscal Court manages the operation and accounts for the Maysville-Mason County Landfill. The landfill consists of the following cells:

- 1) The 21.5-acre residual cell that was capped in fiscal years ending 2001/2002 for \$1,318,003. Post-closure care costs are estimated at \$218,400.
- 2) The 41.0-acre contained cell has been operational since January 30, 1997. As of June 30, 2014, 28% of this cell's capacity had been used.
- 3) The residual/CDD cell is for Dayton Power and Light (DP&L) and has been operational since April 1, 2008. As of June 30, 2014, 54% of this cell's capacity had been used. DP&L is responsible for all closure costs for this cell. DP&L makes regular payments to Mason County to fund the closure costs.

MASON COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 10. Landfill Closure and Post-Closure Care (Continued)

The most recent estimated closure cost for the landfill is \$2,182,833 with estimated post-closure costs of \$1,837,266. Mason County is required to collect and segregate fifteen (15) percent of gross receipts of the landfill and account for it in a restricted Landfill Closure Fund. The balance maintained for the closure of the contained cell and residual/CDD cell as of June 30, 2014 was \$2,823,057. The City of Maysville and Mason County will jointly fund post-closure costs.

The estimates above are based on information as of the audit date and can be altered based on inflation/deflation, technology, laws, and regulations.

Note 11. Related Party Transaction

The former Judge/Executive's son-in-law is a licensed veterinarian and owner of Colonial Heights Veterinary Clinic. For fiscal year ended June 30, 2014, fiscal court requested bids for euthanasia services for the animal shelter. Colonial Heights Veterinary Clinic's bid was the only bid submitted and was therefore awarded the bid. Mason County Fiscal Court paid a total of \$4,763 to Colonial Heights Veterinary Clinic during fiscal year ended June 30, 2014. This related party transaction has previously been presented to the Mason County Code of Ethics Committee and they found no breach of the Mason County Code of Ethics.

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

GENERAL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 2,886,000	\$ 2,886,000	\$ 3,431,070	\$ 545,070
In Lieu Tax Payments	21,395	21,395	21,395	
Excess Fees	77,070	77,070	155,926	78,856
Licenses and Permits	39,800	39,800	41,468	1,668
Intergovernmental	395,700	395,700	459,947	64,247
Charges for Services	1,000	1,000	1,626	626
Miscellaneous	394,500	394,500	316,181	(78,319)
Interest	1,000	1,000	1,552	552
Total Receipts	3,816,465	3,816,465	4,429,165	612,700
DISBURSEMENTS				
General Government	1,283,757	1,461,074	1,302,846	158,228
Protection to Persons and Property	214,200	304,200	205,265	98,935
General Health and Sanitation	87,500	94,806	61,255	33,551
Social Services	9,800	9,800	2,525	7,275
Recreation and Culture	65,000	111,133	107,698	3,435
Bus Services	10,000	10,000		10,000
Debt Service	95,000	95,000		95,000
Capital Projects	30,000	30,000	450	29,550
Administration	2,696,208	2,084,518	1,139,397	945,121
Total Disbursements	4,491,465	4,200,531	2,819,436	1,381,095
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(675,000)	(384,066)	1,609,729	1,993,795
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	(1,325,000)	(1,325,000)	(1,386,019)	(61,019)
Total Other Adjustments to Cash (Uses)	(1,325,000)	(1,325,000)	(1,386,019)	(61,019)
Net Change in Fund Balance	(2,000,000)	(1,709,066)	223,710	1,932,776
Fund Balance - Beginning	2,000,000	2,000,000	3,713,281	1,713,281
Fund Balance - Ending	\$ 0	\$ 290,934	\$ 3,936,991	\$ 3,646,057

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,201,292	\$ 1,201,292	\$ 1,376,356	\$ 175,064
Charges for Services	10,000	10,000	10,570	570
Miscellaneous	50,500	50,500	58,998	8,498
Interest	300	300	265	(35)
Total Receipts	<u>1,262,092</u>	<u>1,262,092</u>	<u>1,446,189</u>	<u>184,097</u>
DISBURSEMENTS				
Roads	1,154,000	1,639,279	1,574,719	64,560
Debt Services	26,700	26,700	26,565	135
Administration	456,392	262,047	256,042	6,005
Total Disbursements	<u>1,637,092</u>	<u>1,928,026</u>	<u>1,857,326</u>	<u>70,700</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(375,000)</u>	<u>(665,934)</u>	<u>(411,137)</u>	<u>254,797</u>
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	<u>100,000</u>	<u>100,000</u>	<u>300,000</u>	<u>200,000</u>
Total Other Adjustments to Cash (Uses)	<u>100,000</u>	<u>100,000</u>	<u>300,000</u>	<u>200,000</u>
Net Change in Fund Balance	(275,000)	(565,934)	(111,137)	454,797
Fund Balance - Beginning	<u>275,000</u>	<u>275,000</u>	<u>281,415</u>	<u>6,415</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (290,934)</u>	<u>\$ 170,278</u>	<u>\$ 461,212</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 1,185,075	\$ 1,185,075	\$ 1,398,150	\$ 213,075
Charges for Services	99,000	99,000	82,561	(16,439)
Miscellaneous	135,800	135,800	114,602	(21,198)
Interest	50	50	35	(15)
Total Receipts	<u>1,419,925</u>	<u>1,419,925</u>	<u>1,595,348</u>	<u>175,423</u>
DISBURSEMENTS				
Protection to Persons and Property	1,588,516	1,648,450	1,494,322	154,128
Debt Services	136,100	136,150	135,897	253
Administration	744,699	684,715	597,355	87,360
Total Disbursements	<u>2,469,315</u>	<u>2,469,315</u>	<u>2,227,574</u>	<u>241,741</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(1,049,390)</u>	<u>(1,049,390)</u>	<u>(632,226)</u>	<u>417,164</u>
Other Adjustments to Cash (Uses)				
Governmental Leasing Act Receipts	10,000	10,000		
Transfers From Other Funds	800,000	800,000	650,000	(150,000)
Total Other Adjustments to Cash (Uses)	<u>810,000</u>	<u>810,000</u>	<u>650,000</u>	<u>(150,000)</u>
Net Change in Fund Balance	(239,390)	(239,390)	17,774	257,164
Fund Balance - Beginning	<u>239,390</u>	<u>239,390</u>	<u>122,120</u>	<u>(117,270)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 139,894</u>	<u>\$ 139,894</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 282,000	\$ 282,000	\$ 320,666	\$ 38,666
Miscellaneous Revenues	28,600	28,600	30,927	2,327
Interest	60	60	28	(32)
Total Receipts	310,660	310,660	351,621	40,961
DISBURSEMENTS				
General Government	59,842	60,842	29,768	31,074
Protection to Persons and Property	39,000	44,244	39,863	4,381
General Health and Sanitation	48,000	48,540	37,540	11,000
Social Services	38,300	42,473	31,033	11,440
Recreation and Culture	234,500	234,900	153,189	81,711
Roads	50,000	102,547	102,546	1
Aiports	8,000	9,500	9,500	
Debt Services	19,300	24,906		24,906
Administration	143,718	72,708	10,738	61,970
Total Disbursements	640,660	640,660	414,177	226,483
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(330,000)	(330,000)	(62,556)	267,444
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	175,000	175,000	175,000	
Transfers To Other Funds			(24,906)	(24,906)
Total Other Adjustments to Cash (Uses)	175,000	175,000	150,094	(24,906)
Net Change in Fund Balance	(155,000)	(155,000)	87,538	242,538
Fund Balance - Beginning	155,000	155,000	36,705	(118,295)
Fund Balance - Ending	\$ 0	\$ 0	\$ 124,243	\$ 124,243

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

STATE GRANTS FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 25,000	\$ 30,080	\$ 5,079	\$ (25,001)
Total Receipts	25,000	30,080	5,079	(25,001)
DISBURSEMENTS				
General Health and Sanitation	25,000	25,000		25,000
Capital Projects		5,080		5,080
Administration	2,000	2,000		2,000
Total Disbursements	27,000	32,080		32,080
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,000)	(2,000)	5,079	7,079
Net Change in Fund Balance	(2,000)	(2,000)	5,079	7,079
Fund Balance - Beginning	2,000	2,000	12,794	10,794
Fund Balance - Ending	\$ 0	\$ 0	\$ 17,873	\$ 17,873

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

FEDERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 668,000	\$ 1,168,000	\$ 488,000	\$ (680,000)
Total Receipts	668,000	1,168,000	488,000	(680,000)
DISBURSEMENTS				
Protection to Persons and Property	668,000	1,168,000	522,110	645,890
Administration	900	900		900
Total Disbursements	668,900	1,168,900	522,110	900
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(900)	(900)	(34,110)	(679,100)
Other Adjustments to Cash (Uses)				
Transfers From Other Funds			28,093	28,093
Total Other Adjustments to Cash (Uses)			28,093	28,093
Net Change in Fund Balance	(900)	(900)	(6,017)	(5,117)
Fund Balance - Beginning	900	900	17,809	16,909
Fund Balance - Ending	\$ 0	\$ 0	\$ 11,792	\$ 11,792

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

SOLID WASTE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Licenses and Permits	\$ 10,000	\$ 10,000	\$ 3,984	\$ (6,016)
Miscellaneous	125,500	125,500	127,312	1,812
Interest	50	50	7	(43)
Total Receipts	135,550	135,550	131,303	(4,247)
DISBURSEMENTS				
General Health and Sanitation	245,900	253,748	191,467	62,281
Debt Service	200	200		200
Capital Projects		37,137	37,136	1
Administration	139,450	94,465	76,166	18,299
Total Disbursements	385,550	385,550	304,769	80,781
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(250,000)	(250,000)	(173,466)	76,534
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	150,000	150,000	200,000	50,000
Total Other Adjustments to Cash (Uses)	150,000	150,000	200,000	50,000
Net Change in Fund Balance	(100,000)	(100,000)	26,534	126,534
Fund Balance - Beginning	100,000	100,000	23,594	(76,406)
Fund Balance - Ending	\$ 0	\$ 0	\$ 50,128	\$ 50,128

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LANDFILL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 8,000	\$ 8,000	\$ 5,359	\$ (2,641)
Intergovernmental	115,000	115,000	107,134	(7,866)
Charges for Services	2,260,000	2,260,000	1,860,920	(399,080)
Miscellaneous	569,200	569,200	728,367	159,167
Interest	8,000	8,000	6,498	(1,502)
Total Receipts	<u>2,960,200</u>	<u>2,960,200</u>	<u>2,708,278</u>	<u>(251,922)</u>
DISBURSEMENTS				
General Health and Sanitation	1,715,250	1,870,350	1,361,879	508,471
Debt Service	410,000	546,650	480,045	66,605
Capital Projects	271,000	271,825	18,965	252,860
Administration	3,237,037	2,944,462	352,086	2,592,376
Total Disbursements	<u>5,633,287</u>	<u>5,633,287</u>	<u>2,212,975</u>	<u>3,420,312</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(2,673,087)</u>	<u>(2,673,087)</u>	<u>495,303</u>	<u>3,168,390</u>
Other Adjustments to Cash (Uses)				
Financing Obligation Proceeds	150,000	150,000	350,000	200,000
Transfers From Other Funds	50,000	50,000		(50,000)
Total Other Adjustments to Cash (Uses)	<u>200,000</u>	<u>200,000</u>	<u>350,000</u>	<u>150,000</u>
Net Change in Fund Balance	(2,473,087)	(2,473,087)	845,303	3,318,390
Fund Balance - Beginning	<u>2,473,087</u>	<u>2,473,087</u>	<u>4,510,990</u>	<u>2,037,903</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,356,293</u>	<u>\$ 5,356,293</u>

MASON COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

GARBAGE COLLECTIONS FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Charges for Services	\$ 360,000	\$ 360,000	\$ 386,575	\$ 26,575
Interest	75	75	62	(13)
Total Receipts	360,075	360,075	386,637	26,562
DISBURSEMENTS				
General Health and Sanitation	299,500	314,399	276,920	37,479
Administration	360,575	345,676	81,294	264,382
Total Disbursements	660,075	660,075	358,214	301,861
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(300,000)	(300,000)	28,423	328,423
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,000	50,000		(50,000)
Total Other Adjustments to Cash (Uses)	50,000	50,000		(50,000)
Net Change in Fund Balance	(250,000)	(250,000)	28,423	278,423
Fund Balance - Beginning	250,000	250,000	297,289	47,289
Fund Balance - Ending	\$ 0	\$ 0	\$ 325,712	\$ 325,712

MASON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

MASON COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

MASON COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Land Improvements	\$ 2,512,218	\$	\$	\$ 2,512,218
Buildings and Building Improvements	19,006,759			19,006,759
Vehicles	1,714,016	106,503	177,735	1,642,784
Equipment	6,288,435	56,728	40,130	6,305,033
Furniture and Office Equipment	592,020	11,909	24,913	579,016
Infrastructure	4,723,085			4,723,085
	<u>\$ 34,836,533</u>	<u>\$ 175,140</u>	<u>\$ 242,778</u>	<u>\$ 34,768,895</u>
Total Capital Assets	<u>\$ 34,836,533</u>	<u>\$ 175,140</u>	<u>\$ 242,778</u>	<u>\$ 34,768,895</u>

MASON COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 1	
Depreciable Land Improvements	\$ 2,500	10 - 60
Buildings	\$ 2,500	10 - 75
Buildings and Building Improvements	\$ 2,500	5 - 75
Machinery and Equipment	\$ 2,500	3 - 25
Furniture and Fixtures	\$ 2,500	3 - 25
Vehicles	\$ 2,500	3 - 25
Infrastructure	\$ 2,500	10 - 50

MASON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

MASON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2014

Federal Grantor CFDA #	Program Title	Pass-Through Grantor's Number	Expenditures
<u>Department of Housing and Urban Development</u>			
<i>Passed-Through State Department for Local Government:</i>			
14.228	Community Development Block Grants/State's Program	13-050 *	\$ 485,517
Total U.S. Department of Housing and Urban Development			<u>485,517</u>
<u>U.S. Department of Transportation</u>			
<i>Passed-Through Kentucky Transportation Cabinet:</i>			
20.205	Highway Planning and Construction	P02-628-0800021823	<u>72,680</u>
Total U.S. Department of Transportation			<u>72,680</u>
<u>U.S. Department of Homeland Security</u>			
<i>Passed-Through Kentucky Office of Homeland Security</i>			
97.042	Emergency Management Performance Grants		14,250
97.067	Homeland Security Grant Program	13-046	<u>36,000</u>
Total U.S. Department of Homeland Security			<u>50,250</u>
Total Expenditures of Federal Awards			<u><u>\$ 608,447</u></u>

*Tested as Major Program.

MASON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2014

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Mason County, Kentucky and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 - Determination of Major Program

The Type A program for the fiscal year is any program for which total expenditures of federal awards exceed \$300,000 for fiscal year 2014 or were deemed high risk. There was a Type A program. The major program tested was:

- CFDA #14.228 – Community Development Block Grants/State's Program

Note 3 - Noncash Expenditures

There were no noncash expenditures of federal awards for fiscal year 2014.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James L. Gallenstein, Former Mason County Judge/Executive
The Honorable Joseph P. Pfeffer, Mason County Judge/Executive
Members of the Mason County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Mason County Fiscal Court for the fiscal year ended June 30, 2014 and the related notes to the financial statement and have issued our report thereon dated March 08, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Mason County Fiscal Court's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Mason County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mason County Fiscal Court's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With *Government Auditing Standards*
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Mason County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mike H', with a long horizontal stroke extending to the right.

Mike Harmon
Auditor of Public Accounts

March 08, 2016

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

The Honorable James L. Gallenstein, Former Mason County Judge/Executive
The Honorable Joseph P. Pfeffer, Mason County Judge/Executive
Members of the Mason County Fiscal Court

**Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133**

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

We have audited the Mason County Fiscal Court's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Mason County's major federal programs for the year ended June 30, 2014. Mason County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Mason County's major federal programs based on our audit of the types of compliance requirement referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mason County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mason County's compliance.

Opinion on Each Major Federal Program

In our opinion, Mason County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



Report On Compliance For Each Major Federal Program
And Report On Internal Control Over Compliance
In Accordance With OMB Circular A-133
(Continued)

Internal Control over Compliance

Management of Mason County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Mason County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing our auditing procedures that were appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mason County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might material weakness or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal flourish extending to the right.

Mike Harmon
Auditor of Public Accounts

March 08, 2016

MASON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended June 30, 2014

MASON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2014

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Federal Awards

Type of auditor's report issued on compliance for major programs: unmodified

Internal control over major programs:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Are any audit findings disclosed that are required to be reported in accordance with <u>U.S. Office of Management and Budget Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, Section .510(a)</u> ?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Identification of major programs:

CFDA Number and Name of Federal Program

14.228 Community Development Block Grants/State's Program

Enter the dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Is the auditee qualified as a low-risk auditee?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

MASON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2014
(Continued)

Section II: Findings - Financial Statement Audit

None.

Section III: Findings And Questioned Costs - Major Federal Awards Program Audit

None.

Section IV: Summary Schedule of Prior Audit Findings

None.

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

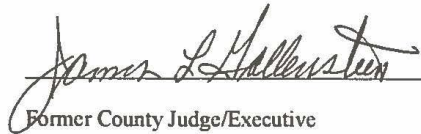
MASON COUNTY FISCAL COURT


**For The Fiscal Year Ended
June 30, 2014**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MASON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Mason County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Former County Judge/Executive


County Treasurer

